

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(1,435,922)	(7,000,000)	(1,435,922)	(7,000,000)
CASH FUNDS	7,000,000	7,000,000	7,000,000	7,000,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	5,564,078	0	5,564,078	0

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 387 would establish the Business Innovation Act. The Department of Economic Development would be directed to establish programs in the following categories, with accompanying expenditure limits:

- Grants to small businesses that qualify under the federal Small Business Innovation program. Program limit: \$1,000,000 per year.
- Grants to businesses employing no more than 500 people or to individuals for the purpose of creating a prototype stemming from research and development at a business headquartered in Nebraska or a public or private higher educational institution in Nebraska. Program limit: \$1,000,000 per year.
- Grants to businesses employing no more than 500 people or to individuals for the purposes of commercializing a prototype of a product or process. Program limit: \$2,000,000 per year.
- Financial assistance to businesses headquartered in Nebraska that use the faculty or facilities of a public college or university in Nebraska for applied research and development of new products or use intellectual property generated at a public college or university. Program limit: \$3,000,000.
- A small business investment program to provide microloan delivery grants. Program limit: \$1,000,000.

LB 387 would establish the Innovate Nebraska Cash Fund to be used by DED to carry out the act, and states in legislative intent that \$7,000,000 be appropriated from the General Fund to the cash fund in FY11-12 and FY12-13. (Note: For the purpose of this fiscal note, it is assumed that a General Fund transfer to the cash fund would be carried out.)

The Department of Economic Development states that it would incur additional operating expenses to administer the above programs. The agency estimates \$110,000 in annual administrative costs, including hiring 2 FTE staff positions. The agency estimate assumed that these costs would come from the General Fund in addition to the \$7,000,000 provided to the Innovate Nebraska Cash Fund. However, LB 387 states that up to 5% of the Innovate Nebraska Cash Fund may be used for administrative costs.

The Building Entrepreneurial Communities Act, the Agricultural Opportunities and Value-Added Act and the Microenterprise Development Act would all be repealed under the provisions of LB 387.

The repeal of the above acts and the reallocation of other funding sources in DED, as proposed in the Governor's budget recommendation, would result in the following:

\$7,000,000	General Funds to be used as the revenue source for the Innovate Nebraska Cash Fund
\$ (989,650)	Savings from eliminating the Building Entrepreneurial Communities Act and the Agricultural Opportunities and Value-Added Act
\$ (463,172)	Savings from eliminating the Microenterprise Development Act
\$ (93,100)	Savings proposed by Governor as a result of eliminating the Main Street Program in DED
\$ 110,000	DED administrative expenses for LB 387 programs
\$5,564,078	Net General Fund impact

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE 1/27/11	PHONE 471-2526
COMMENTS			
DEPARTMENT OF ECONOMIC DEVELOPMENT: Agency's estimate of impact appears to be reasonable.			

FISCAL NOTE **LEGISLATIVE FISCAL** LB387 Department of Economic Development

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Date Prepared	1/26/2011
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Estimate Provided By State Agency or Political Subdivision

	FY 2011-2012		FY 2012-2013	
	Expenditures	Revenue	Expenditures	Revenue
General Funds	5,564,078		5,564,078	
Cash Funds				
Federal Funds				
Other Funds				
Total Funds	5,564,078		5,564,078	

Explanation of Estimate:

LB 387 would create the Innovate Nebraska Cash Fund to finance the provisions within the bill. Those provisions are as follows:

1. SBIR phases 0, 1 and 2 assistance
2. Prototyping Fund
3. Commercialization funding and support
4. Industry-University matching grants
5. Microenterprise assistance

The bill eliminates many of aid programs currently administered by the Department of Economic Development (DED) and reallocates funding for such programs into the Innovate Nebraska Fund. Those programs are the Building Entrepreneurial Communities Act, the Value-Added Ag grant program, the Microenterprise program and the MainStreet program. Those programs together total \$1,545,922 in each of the next two years.

In addition to those funding streams, \$5,454,078 of new general funds will be put into the innovate Nebraska Cash Fund, bringing the total Aid in the bill \$7,000,000 each year.

Because this bill would add many new duties to DED, 2 FTEs would be required to fulfill the requirements of the bill. DED estimates that total new operations would be \$110,000. This brings the net-new fiscal impact to DED of \$5,564,078.

Major Objects of Expenditure

Position Title	Number of Positions		FY 2011-2012	FY 2012-2013
	FY 2011-2012	FY 2012-2013	Expenditures	Expenditures
Business Developmnet Consultant	2	2	71,500	71,500
			Benefits	38,500
			Operating	
			Travel	
			Capital outlay	
			Aid	5,454,078
			Capital improvements	
			Total	5,564,078